

**February 13, 2023**

Vanessa A. Countryman  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: Open-End Fund Liquidity Risk Management Programs and Swing Pricing; Form  
N-PORT Reporting; File No. S7-26-22

Dear Ms. Countryman:

We, the Independent Trustees of the Columbia Funds (the "Funds"), appreciate the opportunity to comment on the Securities and Exchange Commission's proposals to implement swing pricing and a hard close, and to amend the liquidity requirements for mutual funds (the "Proposals"). We oversee 163 open-end mutual Funds with aggregate assets under management ("AUM") exceeding \$200 billion. As stewards for our Funds' shareholders, we are deeply concerned about the negative impact the Proposals, if adopted, would likely have on our Funds' investors. Many of these concerns were addressed comprehensively in the comment letter of the Independent Directors Council ("IDC") on the Proposals and we strongly support the IDC's opposition to the Proposals voiced in that letter. Further, as we examined the Proposals independently and their particular consequences to our Funds' shareholders, we are especially concerned about the following expected harms to our shareholders:

**I. Implementation of a Hard Close Would Increase our Shareholders' Costs and Threaten the Viability of our Funds**

Investors representing more than 90% of our Funds' assets invest in our Funds through intermediaries. As a result of the Proposals, these investors would be required to place their trades by a substantially earlier cut-off time than other investors. Many of our Funds' investors (and/or their financial advisors) are in Western, Mountain or Central time zones; these investors would be subject to an earlier local cut-off time and be even more disadvantaged. We believe the significant narrowing of the window to invest in our Funds (or make redemptions) would be highly unattractive to our investors, many of whom are represented by professional financial advisors who would likely migrate towards investments in different products where the investment (and disposition) decision time does not unduly constrain their ability to swiftly navigate their clients' portfolios through volatile markets should the need arise. Our investors and their financial advisors, despite their long-term focus, care deeply about getting same day pricing for their decisions.

Moreover, we are concerned that our investors' financial intermediaries, when faced with the cost of implementing the hard close (as well as the noted investment decision time constraints), will simply opt against offering mutual funds altogether (or cause a significant reduction in their clients' investments in mutual funds). We understand this to be a real possibility. Accordingly, the Proposals threaten the viability of our Funds, which are highly dependent upon intermediaries' sales. Even if our Funds continue to be offered and remain somewhat viable, but with significantly reduced assets, the Proposals would increase our shareholders' costs as our Funds, like others, have reduced management fees and other expenses by achieving economies of scale. Those economies would be unattainable in the face of significant intermediary migration away from our Funds.

We also understand that implementation of the hard close will require our intermediaries to incur significant technological and operational costs which are likely to be reflected in higher service provider costs to our Funds, further increasing costs to our shareholders.

Beyond the financial harm expected to our shareholders, we are also concerned that, if the Proposals were implemented, our Funds' shareholders would migrate to less regulated investment products, such as collective investment trusts, that do not have comparable investor protections and independent oversight.

## **II. Swing Pricing Creates Confusion for our Shareholders**

The Proposals' swing pricing mandate would significantly confuse investors' clarity regarding our Funds' net asset value ("NAV"), which for decades has reflected solely the market (or fair value) prices of the underlying securities held in our Fund portfolios and has not been driven by certain investors' activities.

## **III. The Liquidity Proposals Would Unnecessarily Alter the Investment Strategies of Funds and Threatens the Viability of Certain Funds**

The ten percent mandated highly liquid investment minimum ("HLIM") is an unnecessary one-size fits all threshold that bears no reasonable relation to our Funds' liquidity risk factors, even in stressed conditions. With the 2016 liquidity rule adopted by the Commission, our Funds have adopted and implemented a comprehensive liquidity risk management program that effectively manages and tests liquidity risks for our Funds. Our liquidity program has operated effectively at all times since its adoption (even during the



most volatile periods of COVID in 2020 and rapidly rising interest rates in 2022), all with HLIMs at well below ten percent.<sup>1</sup>

In addition to being unnecessary, the mandated ten percent threshold would cause portfolio construction shifts in our Funds, altering several of our Funds' actual investment strategies. This represents an unnecessary additional challenge to meeting our Funds' stated investment objectives and can only harm our shareholders.

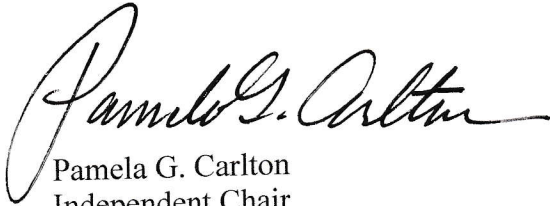
The Proposals' expansion of the definition of "illiquid investments" also raises concerns for our shareholders in that several of our small-cap, international and loan Funds could be challenged in their ability to meet, on an ongoing basis, the limitation on illiquid investments under the proposed new definition. As an example, and of particular concern is the future of our bank loan Fund. As of December 31, 2022, that Fund had \$793 million in AUM. It has pursued, since its inception in 2006, a principal strategy of investing a substantial portion of its assets in senior loans which typically have longer settlement periods that would render them "illiquid investments" under the expanded definition of the Proposals. As a result, the Fund's viability as an open-end mutual fund is threatened by the Proposals. Throughout its history as an open-end fund, it has operated without liquidity issues, and has never experienced an issue in meeting redemptions nor any material pricing error. For many years, that Fund's investors have enjoyed access to this unique asset class through the simplicity and flexibility offered by an open-end mutual fund product. They have been afforded the opportunity to invest in this Fund on any given day at its NAV, and the right to dispose of their investment on any given day at its NAV. Never once have these investors been denied this right. The Proposals, if adopted, would likely eliminate our ability to offer the Fund as an open-end fund and thus strip our investors of their daily liquidity rights and ability to invest in this asset class via an open-end fund vehicle.

In closing, we appreciate that the Commission is attempting to protect shareholders. That is our objective too. However, we believe that the goals of the Proposals are amply addressed by existing rules and practices, and that the Proposals would certainly introduce costs and other harms to shareholders far disproportionate to any speculative benefits shareholders might receive. Accordingly, we encourage the Commission to withdraw the Proposals and engage with stakeholders to fully evaluate the effectiveness of existing rules (particularly, the liquidity risk management rule implemented in 2018) and reconsider whether any additional regulatory changes are in fact necessary, particularly at increased costs to our shareholders.

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<sup>1</sup> We note that the current liquidity rule provides for an appropriate level of Fund board oversight of the Funds' program which is generally consistent with the level of board oversight prescribed by the Proposals (which likewise seems appropriate).

Sincerely,

A handwritten signature in black ink, reading "Pamela G. Carlton". The signature is fluid and cursive, with the first name "Pamela" being the most prominent.

Pamela G. Carlton  
Independent Chair  
Columbia Funds

On behalf of the Independent Trustees of  
the Columbia Funds

cc: Independent Trustees of the Columbia Funds:  
George S. Batejan  
Kathleen Blatz  
Janet Langford Carrig  
J. Kevin Connaughton  
Olive M. Darragh  
Patricia M. Flynn  
Brian J. Gallagher  
Douglas A. Hacker  
Nancy T. Lukitsh  
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Catherine James Paglia  
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Sandra L. Yeager